



**A N N U A L
R E P O R T
R E X A L L D R U G , I N C .**

DECEMBER 31, 1951

directors

Earl E. Anderson	Montclair, N. J.
Arthur S. Barrows	Greenwich, Conn.
C. Earl Cooper	Los Angeles, Calif.
Justin W. Dart	Los Angeles, Calif.
Scott J. Dow, Jr.	Los Angeles, Calif.
Paul A. Draper	Boston, Mass.
Joseph A. Galvin	Los Angeles, Calif.
J. Frank Grimes	Chicago, Ill.
James Knowles, Jr.	St. Louis, Mo.
F. Thatcher Lane	New Haven, Conn.
Walter T. Lillie	Los Angeles, Calif.
James L. Richards	Boston, Mass.
Adé Schumacher	New York, N. Y.
James E. Shelton	Los Angeles, Calif.
Vernon F. Taylor	San Antonio, Texas

executive committee

Justin W. Dart, Chairman	Los Angeles, Calif.
Earl E. Anderson	Montclair, N. J.
Arthur S. Barrows	Greenwich, Conn.
F. Thatcher Lane	New Haven, Conn.
Walter T. Lillie	Los Angeles, Calif.

officers

Joseph A. Galvin	Chairman of the Board
Justin W. Dart	President
C. Earl Cooper	Vice-President
Scott J. Dow, Jr.	Vice-President
James Knowles, Jr.	Vice-President
F. Thatcher Lane	Vice-President
Walter T. Lillie	Vice-President and Treasurer
Rudolph J. Drews	Controller
Harold E. Price	Secretary

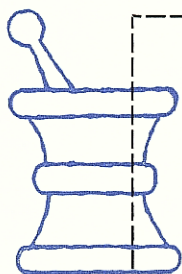
transfer agents—Guaranty Trust Company of New York, New York—State Street Trust Company, Boston—Bank of America National Trust & Savings Association, Los Angeles

registrars—The Chase National Bank of the City of New York, New York—The National Shawmut Bank of Boston, Boston—California Trust Company, Los Angeles

general counsel—Adams, Duque & Hazeltine, Los Angeles

independent auditors—Price Waterhouse & Co.

general headquarters—Rexall Square, 8480 Beverly Boulevard, Los Angeles 48, California



the president's letter

to the stockholders of Rexall Drug, Inc.:

sales

Consolidated net sales of your Company and its subsidiaries for 1951 were \$164,277,622 as compared with \$153,643,137 in 1950.

Sales in the Company-owned retail stores were higher for the year despite the fact that fewer stores were in operation. Since 1946 your Company has been reducing the number of its domestic retail stores by eliminating marginal units. Concentration on fewer larger-volume stores has enabled us to show marked improvement in this division of your Company. The following summary shows the yearly progress of this program:

YEAR	NUMBER DOMESTIC RETAIL STORES OPERATED AS OF DECEMBER 31
1946	540
1947	495
1948	422
1949	346
1950	300
1951	274

(Liggett of Canada currently
operates 35 additional Drug Stores)

During 1951 we opened 3 stores and 16 were enlarged or substantially remodelled. In addition to these major changes, we have continued to make substantial improvements in layout and facilities of a large number of our retail stores.

The number of independently owned retail drug stores holding Rexall franchises continued to increase during the year and sales to these Rexall Dealers in 1951 were the highest in history.

A large percentage of the sales of our manufacturing subsidiaries consists of non-Rexall products sold to customers other than Rexall. These outside sales of manufactured products also were higher for 1951 as compared with 1950.

earnings

Consolidated net earnings of your Company and its subsidiaries amounted to \$1,917,231 for the year ended December 31, 1951, or 55¢ per share. This compares with \$2,024,475, or 58¢ per share in 1950. Before Federal taxes earnings were \$3,917,231 for 1951 compared with \$3,699,475 in 1950.

The following simplified statement of profit and loss gives a comparative explanation of total operations for the two years:

	<u>1951</u>	<u>1950</u>
We received from our customers for products sold . . .	\$164,277,622	\$153,643,137
We spent or set aside for:		
Purchase of materials, products and supplies and expenses of manufacturing, distribution and administration	116,720,911	108,160,019
Wages and salaries to employees	37,848,447	36,080,563
Local, State and Federal taxes	4,779,722	4,271,528
Interest on borrowed money	944,558	937,674
Wear and tear on plant and equipment	2,066,753	2,168,878
Making total expenses	\$162,360,391	\$151,618,662
Leaving net earnings for the year	\$ 1,917,231	\$ 2,024,475

Company-owned retail stores made a substantial contribution to your Company's profits in 1951 — continuing the encouraging trend which began in 1950.

Higher operating expenses and increased labor and material costs caused a reduction in earnings of our Rexall and manufacturing divisions during the last six months of 1951 as compared with the same period in 1950.

Riker Laboratories, Inc., our ethical drug manufacturing subsidiary, has shown a steady increase in the sales of its products since sales were started in June, 1950. For the year 1951 Riker operated at a loss due to high advertising, research and sales expenses.

During 1952 we will have a further substantial enlargement of our research organization and also the expenses incident to the building of a nation-wide force of detail field men representing Riker products to the medical profession. As a result of these development costs we are projecting a larger loss for Riker in 1952 than in 1951. However, in view of the importance of the ethical drug field as a potential area of profit for your Company we believe these additional investments in Riker are advisable from a long term standpoint.

financial position

The financial position of your Company has been improved during 1951, mainly by a reduction of inventories and customers' accounts receivable and a consequent increase in cash. The following summarized statement of financial position gives a comparative statement of principal changes for the last two years:

	December 31	
	1951	1950
Current Assets:		
Cash	\$13,445,805	\$ 8,555,706
Receivables — less estimated losses in collection	10,277,975	12,152,974
Inventories of merchandise, partly finished stocks, materials and supplies	36,274,702	39,433,198
Total Current Assets	\$59,998,482	\$60,141,878
Current Liabilities:		
Accounts payable and accrued expenses	\$12,345,841	\$12,170,968
Current instalments of long term indebtedness	1,498,118	1,596,869
Estimated Federal and Canadian taxes on income	3,843,713	3,700,700
Total Current Liabilities	\$17,687,672	\$17,468,537
Working Capital	\$42,310,810	\$42,673,341
Investments and advances	3,350,997	3,118,530
Property Accounts	21,751,713	20,498,502
Prepaid expenses and deferred charges	843,824	1,063,637
Goodwill, trademarks, etc.	1	1
Total	\$68,257,345	\$67,354,011
Less — Real estate obligations	1,241,770	352,686
Other long term indebtedness	26,378,500	27,785,000
Reserves	150,936	150,936
Stockholders' Equity	\$40,637,075	\$39,065,389

At the end of 1951 your Company had repaid all short term loans that were made earlier in the year with banks. Long term indebtedness to banks and insurance companies outstanding as of January 1, 1951 was reduced during the year by \$1,406,500. Long term real estate obligations were increased by \$889,084, representing mainly mortgage and purchase obligations on our new Rexall Warehouses at Atlanta and Chicago.

Stockholders' equity at the end of 1951 amounted to \$40,637,075, which is equivalent to \$11.67 a share, compared with \$39,065,389, or \$11.22 a share at the end of 1950.

During the past ten years stockholders' equity has increased from \$4.31 a share to \$11.67 a share.

inventories

Inventories were reduced during the last half of the year from \$43,207,902 at June 30, 1951 to \$36,274,702 at December 31, 1951. At December 31, 1950 inventories were \$39,433,198.

compensation to management

Total compensation to your officers and directors was \$325,075 for services rendered in 1951 compared with \$323,066 in 1950. This sum amounted to two tenths of one per cent (0.2%) of consolidated net sales, or eight tenths of one per cent (0.8%) of total consolidated payroll.

dividends

A dividend of 10¢ per share was paid to stockholders on December 14, 1951. This dividend amounted to \$348,095. It is the hope of your Directors that continued profitable operations of your Company will justify further dividend payments in 1952.

outlook and plans

Company-Owned Stores. We anticipate a continuation of the improved profit trends in our retail companies. Expansion of these companies will be largely in self-service type stores.

During October, 1951, we opened our second combination drug-grocery store on Laurel Canyon Boulevard, in the San Fernando Valley, near Los Angeles, California. Our first combination store which opened eighteen months ago at Ontario, California has been very successful.

Rexall Trade-Marked Products. At the beginning of 1952 our Rexall sales force was decentralized. An Eastern division now has headquarters in Boston, Massachusetts; a Central division at St. Louis, Missouri and a Western division at Los Angeles, California. This follows the pattern of decentralization which has been very successful in our retail divisions and we anticipate increased productivity from our Rexall sales organization as a result of this move.

Manufacturing Subsidiaries. We look for a continuation of increasing volume in our manufacturing companies during 1952. We have made substantial outlays to improve plants and facilities during 1951.

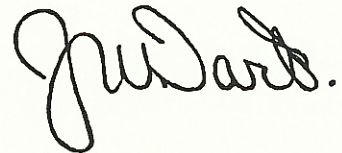
Summary of Outlook. We estimate that profits for the first quarter and the first half of 1952 will be lower than for comparable periods of 1951. However, we believe that net earnings for the last half of 1952 will compare favorably with 1951.

conclusion

Your Board of Directors and other members of management express their appreciation for the work of our employees during the past year and for the participation of thousands of Rexall Dealers throughout the country in our accelerating Rexall sales campaigns.

We urge you to exercise your voting rights as a stockholder in this Company and to mail your proxy as speedily as possible in case you cannot be present in person at the Stockholders' Meeting in Los Angeles.

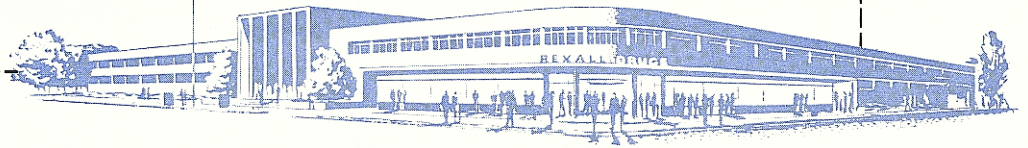
respectfully submitted,



president

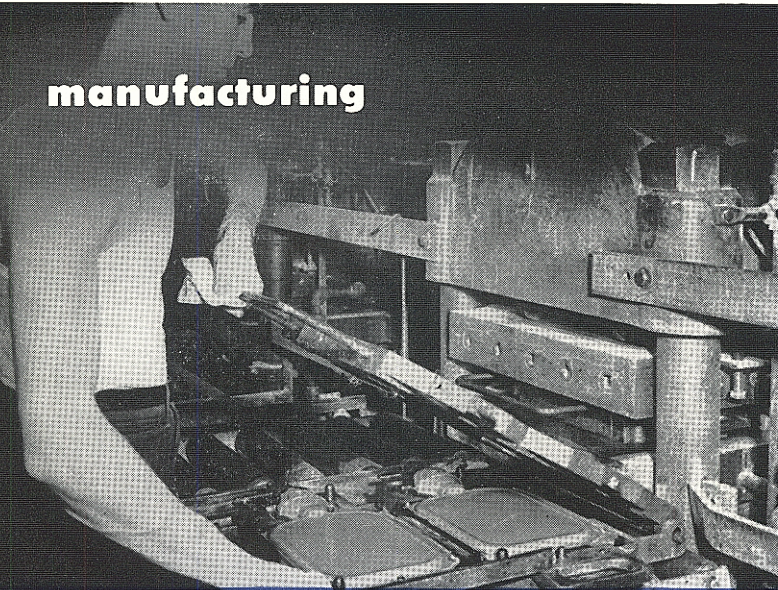
March 18, 1952

this is Rexall



World Headquarters, Rexall Square,
8480 Beverly Blvd., Los Angeles, Calif.

manufacturing



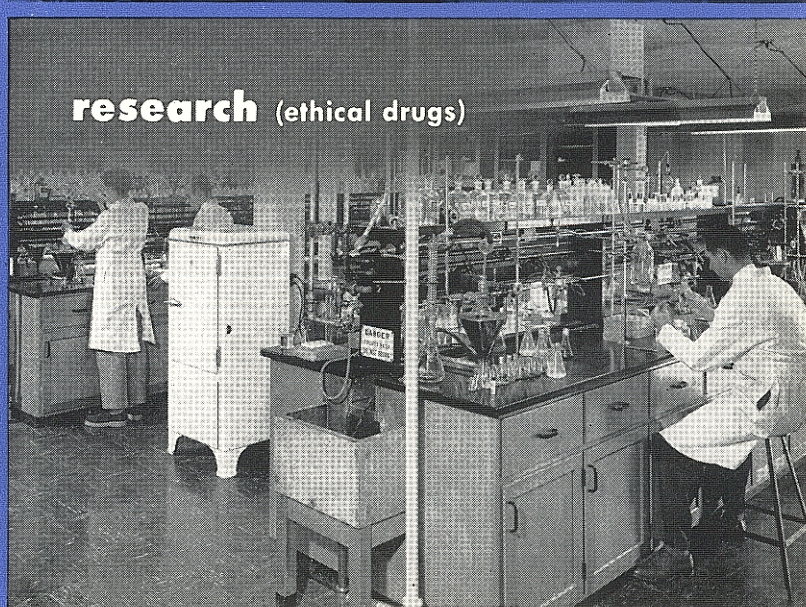
retailing



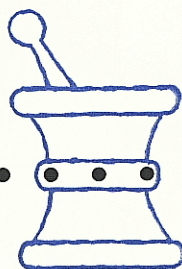
distributing



research (ethical drugs)



through these four major divisions



Rexall serves

Rexall[®] manufacturing

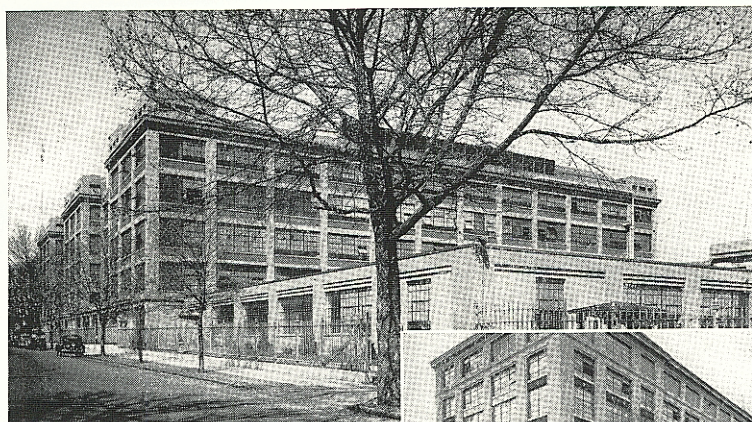
Ten modern plants produce the thousands of items comprising the Rexall line. In addition, they manufacture and sell many other non-Rexall products to other companies throughout the country.

Rexall plants

Boston, Mass. — cosmetics and toiletries
 St. Louis, Mo. — pharmaceuticals and medicines
 Toronto, Can. — Canadian Rexall products

manufacturing subsidiaries

New Haven, Conn.—The Seamless Rubber Company: Rubber goods, adhesive bandages, sporting goods.
 Albany, N. Y.—Eastern Tablet Corporation: Stationery and school supplies.
 Valley Park, Mo.—The Absorbent Cotton Company: First aid and hospital supplies.



The Seamless Rubber Company.
 New Haven, Conn.

Mansfield, Mass.—Mansfield Chocolate Incorporated: Candy and chocolate products.
 Williamsport, Pa.—Franklin Hosiery Mills, Inc.: Hosiery.
 Highland, N. Y.—Hudson Valley Pure Food Company: Fountain syrups and juices.
 Fall River, Mass.—United Cotton Products Company: Special cotton fabrics.



The St. Louis plant,
 3901 N. Kingshighway Blvd.,
 St. Louis, Mo.

Rexall[®] distributing

Nearly 5,000 Rexall products are sold in the United States and Canada to over 10,000 independently-owned retail drug stores holding Rexall franchises and to the Company-owned retail stores. The Rexall Plan, which includes national magazine and radio advertising, together with comprehensive merchandising and sales promotion assistance, directly benefits each of these Rexall dealers in the general operation of his retail drug store.

Rexall Drug Company

Sales, merchandising and marketing headquarters—Los Angeles, Calif.
 Branch buying offices—New York City, N. Y.
 National sales force with divisional offices at Boston, Mass.,
 St. Louis, Mo., Los Angeles, Calif.
 Rexall Drug Company, Limited—Toronto, Canada

Distribution to Rexall dealers is handled by twelve Rexall warehouses, located at:

Boston, Mass.	Chicago, Ill.	Portland, Ore.
Pittsburgh, Pa.	Fort Worth, Texas	Toronto, Canada
Atlanta, Ga.	Los Angeles, Calif.	Winnipeg, Canada
St. Louis, Mo.	San Francisco, Calif.	Vancouver, Canada



Maule Rexall Drugs,
 575 San Mateo Avenue,
 San Bruno, Calif.



Hamilton Rexall Drugs,
 24 North Main Street,
 Linton, Ind.

Rexall Retailing

Rexall owns and operates four retail drug chains in the United States and Canada. These chains, their locations and number of stores are as follows:

Liggett Drug Company	<i>No. Stores</i>
New York City, N. Y.	
New England and eastern states	125
Lane Drug Company	
Atlanta, Ga.	
Southern states and Texas	68
Owl Drug Company	
Los Angeles, Calif.	
Western states	81
Total, United States	274
Louis K. Liggett Company, Ltd.	
Toronto, Can.	
Dominion of Canada	35



Liggett Rexall Drug Store,
302 Third Street,
Baton Rouge, La.

Owl Rexall Drugs,
Pico & Westwood Blvds.,
Los Angeles, Calif.



Owl Rexall Drug Store,
Imperial & Western Avenues,
Los Angeles, Calif.

Rexall Research • ethical drugs

Rexall's newest subsidiary is Riker Laboratories, Inc., Los Angeles, Calif. It is the beginning of Rexall's development of an important division in the ethical drug manufacturing field . . . producing and selling, on an open market basis, ethical drug products developed by its own research scientists.

At present the following products are on the market: Veriloid (oral tablets) — an effective hypotensive agent (for the treatment of high blood pressure).

Veriloid Intravenous Solution — for use by physicians and hospitals as an emergency drug in treatment of hypertensive crises. The intramuscular form of Veriloid is nearing the stage of commercial release.

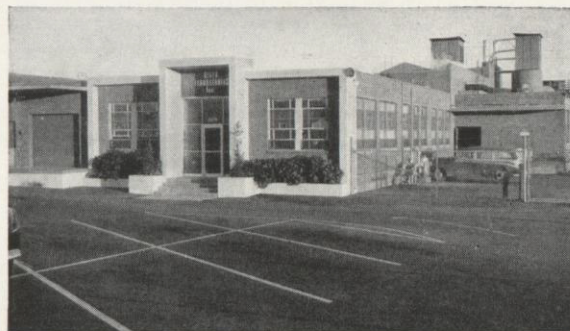
Research work is progressing steadily on further improvement of Veriloid products. Other ethical drug products will be marketed this year.

Riker Laboratories, Inc. Los Angeles, California

Manufacturing plant and national sales headquarters,
Los Angeles, Calif.

Divisional sales offices are located in New York City,
N. Y., Chicago, Ill., Toronto, Canada, Los Angeles,
Calif.

Research laboratories in Los Angeles include Organic
Chemistry, Pharmacological, Clinical, Pharma-
ceutical Development, Manufacturing Processes.



Riker Laboratories, Inc., 12270 Nebraska Avenue,
Los Angeles, Calif.

Rexall Drug, Inc. (incorporated in Delaware) and its

consolidated balance sheets

assets	1951	1950
current assets		
Cash in banks and on hand	\$13,445,805	\$ 8,555,706
Accounts and notes receivable, less estimated losses in collection —		
Customers	8,294,753	10,163,479
Others	1,983,222	1,989,495
Inventories of merchandise, partly finished stocks, materials and supplies —		
at cost or market whichever lower	36,274,702	39,433,198
TOTAL CURRENT ASSETS	<u>\$59,998,482</u>	<u>\$60,141,878</u>
investments and advances, etc.		
Investments in and advances to wholly owned English and South African sub-		
sidiaries not consolidated	\$ 333,922	\$ 334,904
<i>(net assets of these subsidiaries were \$630,000 at December 31, 1951)</i>		
Miscellaneous investments, at or below cost	1,840,411	1,808,765
Noncurrent receivables, advances and deposits	1,176,664	974,861
	<u>\$ 3,350,997</u>	<u>\$ 3,118,530</u>
property accounts, at cost:		
Land, buildings and building fixtures	\$11,607,202	\$10,101,765
Machinery and equipment, etc.	12,713,319	12,169,692
Store fixtures, leaseholds and improvements, etc.	16,859,263	17,490,047
	<u>\$41,179,784</u>	<u>\$39,761,504</u>
Less — Accumulated depreciation	19,428,071	19,263,002
	<u>\$21,751,713</u>	<u>\$20,498,502</u>
deferred charges		
Prepaid insurance, taxes, rent, etc.	\$ 776,308	\$ 985,023
Unamortized discount and expense on long term indebtedness	67,516	78,614
	<u>\$ 843,824</u>	<u>\$ 1,063,637</u>
goodwill, trademarks, etc.	\$ 1	\$ 1
	<u>\$85,945,017</u>	<u>\$84,822,548</u>

United States and Canadian Subsidiaries

december 31, 1951 and december 31, 1950

liabilities	1951	1950
current liabilities		
Accounts payable and accrued expenses	\$12,345,841	\$12,170,968
Current instalments of long term indebtedness	1,498,118	1,596,869
Estimated Federal and Canadian taxes on income <i>(liability for 1941 and prior years settled)</i>	3,843,713	3,700,700
TOTAL CURRENT LIABILITIES	<u>\$17,687,672</u>	<u>\$17,468,537</u>
long term indebtedness, less current instalments shown above:		
Bank loans due to May 1956	\$ 537,500	\$ 1,255,000
Sinking fund debentures, 3¾% due 1961, authorized and issued \$2,500,000	1,700,000	1,900,000
Sinking fund debentures, 3% due 1965, authorized and issued \$25,200,000	24,141,000	24,630,000
Real estate obligations	1,241,770	352,686
	<u>\$27,620,270</u>	<u>\$28,137,686</u>
reserve for self-insurance		<u>\$ 150,936</u>
stockholders' equity		
Capital stock of Rexall Drug, Inc.		
Authorized — 5,000,000 shares, par value \$2.50 each		
Issued — 3,501,120 shares	\$ 8,752,800	\$ 8,752,800
Other paid in capital, per accompanying statement	10,640,744	10,640,357
Earnings retained and used in the business, per accompanying statement <i>(under indentures securing long term indebtedness, \$1,245,000 of the retained earnings at December 31, 1951 is not restricted as to payment of dividends)</i>	21,352,578	19,783,442
	<u>\$40,746,122</u>	<u>\$39,176,599</u>
Less — Cost of capital stock of Rexall Drug, Inc. acquired and held by a sub- sidiary — 20,170 shares in 1951 and 20,570 shares in 1950 <i>(20,000 shares are optioned to executives at \$6.375 per share)</i>	109,047	111,210
	<u>\$40,637,075</u>	<u>\$39,065,389</u>
	<u>\$85,945,017</u>	<u>\$84,822,548</u>

At December 31, 1951 the companies were committed under some 230 leases expiring more than three years after that date with minimum annual rentals of approximately \$3,500,000. Approximately 6 per cent of this amount relates to leases expiring more than 25 years after December 31, 1951.

Rexall Drug, Inc.

and its United States and Canadian Subsidiaries

consolidated statement of earnings

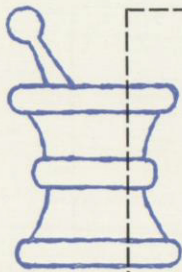
	1951	1950
Sales, less returns, allowances and discounts	\$164,277,622	\$153,643,137
Cost of sales, selling, distribution, promotional, administrative expenses, etc. (including depreciation of \$2,070,000 in 1951 and \$2,170,000 in 1950)	(159,513,429)	(148,830,635)
Interest on indebtedness	(944,558)	(937,674)
Other income and deductions, net — chiefly from rental of real estate, dis- posal of properties and cancellation of leases and other contracts	(31,409)	(359,783)
Exchange adjustment arising from expressing net assets of Canadian sub- sidiaries in United States dollars	129,005	184,430
Provision for Federal and Canadian taxes on income	(2,000,000)	(1,675,000)
NET EARNINGS FOR YEAR	<u>\$ 1,917,231</u>	<u>\$ 2,024,475</u>

consolidated statement of earnings retained and used in the business

	1951	1950
Balance at beginning of year	\$ 19,783,442	\$ 17,117,967
Net earnings for year	\$ 1,917,231	\$ 2,024,475
Restoration of reserves for contingencies provided by charges to earnings in prior years		641,000
Dividend paid, 10¢ per share	(348,095)	
Increase for the year	\$ 1,569,136	\$ 2,665,475
Balance at close of year	<u>\$ 21,352,578</u>	<u>\$ 19,783,442</u>

consolidated statement of other paid in capital

	1951	1950
Balance at beginning of year	\$ 10,640,357	\$ 10,533,265
Restoration of reserve for contingencies created on acquisition of a sub- sidiary in 1933		100,000
Excess, over average cost, of consideration received from exercise of options on Rexall Drug, Inc. capital stock held by a subsidiary — 400 shares in 1951 and 13,000 shares in 1950	387	7,092
Balance at close of year	<u>\$ 10,640,744</u>	<u>\$ 10,640,357</u>



independent auditors report

PRICE WATERHOUSE & CO.

530 WEST SIXTH STREET

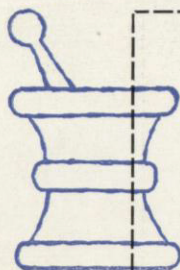
LOS ANGELES 14

February 21, 1952

To the Board of Directors of
Rexall Drug, Inc:

In our opinion, the accompanying statements present fairly the financial position of Rexall Drug, Inc. and its subsidiary companies at December 31, 1951 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

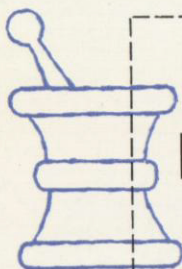


Rexall Drug Inc. Consolidated statistical summary

financial operations*	1951	1950	1949	1948	1947
Net sales	\$164,278	\$153,643	\$156,364	\$173,907	\$182,664
Earnings (loss) before Federal and Canadian income taxes	\$ 3,917	\$ 3,699	\$ (1,715)	\$ 1,716	\$ 2,411
Federal and Canadian income taxes (credit)	\$ 2,000	\$ 1,675	\$ (465)	\$ 300	\$ 650
Net earnings (loss)	\$ 1,917	\$ 2,024	\$ (1,250)	\$ 1,416	\$ 1,761
Earnings (loss) per share of common stock	55¢	58¢	(36¢)	40¢	50¢

financial position*	1951	1950	1949	1948	1947
Cash and government bonds	\$ 13,446	\$ 8,556	\$ 14,399	\$ 16,016	\$ 14,413
Accounts receivable	10,278	12,153	8,836	8,435	9,945
Inventories	36,274	39,433	34,284	38,979	40,667
Current assets	\$ 59,998	\$ 60,142	\$ 57,519	\$ 63,430	\$ 65,025
Less: Current liabilities	17,688	17,469	15,027	16,840	18,575
Working capital	\$ 42,310	\$ 42,673	\$ 42,492	\$ 46,590	\$ 46,450
Property, machinery and equipment (net)	21,752	20,499	20,185	19,885	18,485
Investments, advances, prepaid expenses, etc.	4,195	4,182	3,787	2,762	1,966
Less: Real estate obligations	1,242	353	147	158	168
Other long term indebtedness	26,378	27,785	29,260	30,735	29,480
Reserves	none	151	834	741	1,178
Stockholders' equity	\$ 40,637	\$ 39,065	\$ 36,223	\$ 37,603	\$ 36,075
Stockholders' equity — amount per share	\$ 11.67	\$ 11.22	\$ 10.45	\$ 10.84	\$ 10.40
Number of stockholders	17,033	17,582	19,554	20,880	20,890

*In Thousands of Dollars



Rexall national advertising

magazine

Your Rexall national magazine advertising campaign continued in full force throughout 1951, playing a vital role in building ever-increasing acceptance for Rexall and its nearly five thousand products. Monthly merchandise advertisements in Life, Look, Saturday Evening Post, Collier's, Country Gentleman and Farm Journal brought customers into Rexall Drug Stores throughout the country in record numbers.

In addition, your company scheduled advertisements in the country's foremost women's magazines to create an even greater demand for your unexcelled line of Cara Nome cosmetics.

Two other magazine advertising campaigns were carried on during 1951. One campaign, directed to physicians through the Journal of the American Medical Association, helped promote Rexall pharmaceutical products. The second, aimed at gaining new franchise holders, appeared in leading drug trade magazines.

radio

Rexall's top-rating national radio show, Amos 'n' Andy, continued during 1951 to build consumer demand for Rexall products. Equally important, it helped your company gain greater dealer tie-in at the store level.



